



TROY RESOURCES LIMITED

ASX ANNOUNCEMENT

4 September 2017

Karouni Project - Operational Update

Troy Resources Limited (**ASX: TRY**) (**Troy** or the **Company**) is pleased to provide an operational update for the Karouni Project.

A remodelling of Smarts ore body has been undertaken, with emphasis on structural controls and the implications thereof for the mining of the ore body. The new geology team is currently developing a Grade Control Model ("GCM") for use in short-term and medium-term planning.

The previous interpretation reflected a view that selective mining could be undertaken to achieve high grade ore production. However, in general, the narrow north/ south veins linking the main shears are too narrow to mine selectively when considering the matters of internal dilution and the rates required for economic production. The outcome is that the ore body is now considered to be better mined as a bulk exercise whilst separating the high and low grade material. The result of this strategy will be the mining of more tonnes of ore at a lower average grade to produce approximately the same gold output.

The new GCM model is currently being finalized and benchmarked against current mining activities and reconciliations based on previous mining figures.

Troy has completed a new Life of Mine schedule based on the above parameters which sees the operation continuing at much the same gold production rate until early 2020. It is important to note that this is based only on currently interpreted Reserves.

A long-term business plan is being formulated to achieve future growth and supplement the ore supply to the mill. The new business plan will incorporate additional ounces from "brownfields" exploration targets only.

The plan sees a focussed effort on infill drilling in Smarts 4 and the restarting of exploration as soon as possible with a view to the conversion of near mine targets such as Smarts NW, Smarts Underground, Spearpoint and Larken into producing sources of ore.

In addition, based on a higher gold price now prevailing and the results of the previously announced grade control drilling programs, the Company believes that additional pit expansions may be possible in the Smarts 2, 3, and 4 stages, and that further pit expansions may be possible in the Hicks 1 and 2 pits. This concept is at an early planning stage and the Company intends to further investigate this in-house once additional staff are on-boarded.

The Board is confident that, if successful, such activities will extend mine life well beyond the timeframe noted above.



The Company is currently updating its resources and reserves statements, and expects to provide an update to the market by the end of October.

Troy has re-established mining in Smarts 3 pit which suffered a pit wall failure in December last year and a subsequent failure earlier this year. It is anticipated that higher grade ore from Smarts 3 will start being delivered to the stockpile in September with approximately 11,000t @ 4.5g/t Au already blasted.

There is still some work to be undertaken to reschedule mining activities to fit the new mining parameters. Whilst full remediation of Smarts 3 pit is anticipated to take several months to complete, this should not affect ore mining which is budgeted at approximately 80,000 tpm. During August, the mine delivered more than 110,000 tonnes of ore to the ROM stockpile and the tonnes processed for the month was on budget. At month's end, the ROM stockpile had approximately 30,000 tonnes ready for processing.

Cost control and efficiency initiatives implemented during the last six months continue to manifest in cost savings and overall production efficiencies.

In Troy's June Quarterly report, we flagged that the strip ratio at Karouni was expected to decrease from approximately 8–10:1 to approximately 4:1 by the end of the calendar year. Since that report was published only a month or so ago, a significant reduction in the strip ratio has already been achieved.

Since December 2016, site safety performance has steadily increased and is now close to Industry average. Many new safety initiatives have been introduced and work is now underway on operator training with an emphasis on safety and "best practices".

Over the past three months, the Karouni operation has commissioned several specialist consulting groups to assist with mine planning and scheduling, geotechnical revision and metallurgical audits. This is expected to continue until the site achieves "best practices" in the mining, safety, environmental and processing areas. A Continuous Improvement program is ongoing.

Given the outlook, consideration is currently being given to a potential throughput upgrade to the plant which would impact favourably on the economics of some of the adjacent lower grade ore bodies. The output expansion could be done with very little capital outlay.

In Troy's Investec Bank Facility Update announcement on 1 September 2017, Troy outlined the status of discussions with the Company's facility with Investec Bank Plc. Troy is considering a broad range of options in respect of this facility and its obligations, including potential corporate transactions.

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